:: Bowen-Jones et al. K-5 (1955-1958) 1961
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433 458 The main relevant conclusion was unmistakably ominous: 'Government expenditure has more than made up for that of the Knights, and has diverted more of the labour of the population to the service, direct or indirect, of the foreign government which applied it to purposes entirely Imperial and unconnected with the special interests of the colony. Doubtless this expenditure has led to immediate prosperity,.. but the basis of this prosperity is artificial and precarious' (6). It is possible to argue the degree of validity of the third premiss of the first clause but the general truth is undeniable. This general picture is so clear that in this particular chapter attention will be focussed only on some aspects of the Maltese economy as it has developed during the last 50 years.

43 The changing character of Maltese Trade is well evidenced in the annual reports of the Customs and Port Department. Before World War I, Malta was still of some importance in Mediterranean transit trade, partfcularly for goods destined for North African and Levant ports. Between 1910 and 1922 the annual average weight of such merchandise handled was 17,000 tons (7). This activity almost disappeared during hostilities and after a short post-war boom settled down at a new low level handling only some 3,000 tons of merchandise. In part this was due to the elimination of the important German and Austrian connection which, in a Report published in 1919 (8), was the subject of much hostile Maltese comment. More important was the fact that the gap thus left was not filled by other foreign or local interests. The Maltese writers of the 1919 Report were not able to obtain their desire 'to have a company formed by a few merchants, who would thus teach Maltese capitalists that the investment of moneys in industries and especially in shipping is more profitable and better for the Islands and for the capitalists themselves, than the investment in doubtful securities or in reckless speculation'. The fundamental difficulties of expanding port [504] activity have remained. Malta, for all the grandiloquence of the name 'Grand Harbour', has until very recently possessed but poor physical facilities for handling shipping. All vessels of over 2,000 tons have had to be worked by lighter, and civil repair facilities as well as warehousing have been extremely limited. In that the needs of the Fleet have been paramount this is understandable; the consequences have been deplorable. The absence of enthusiasm for [454] local investment of Maltese capital has been equally inhibiting. There survives, even intensified during the 1930's, a traditional feeling of insecurity which was succinctly noted by a banker giving evidence before the 1911 Commission: 'There is plenty of money in the Island... there is not much trust, I think' (9). Even now, while the rate of saving in Malta is very high - c. 14 per cent. of total personal income, too large a proportion of the savings are invested abroad - some £70 millions. Given this basic insecurity, which still appears in conversations with business men and which is so deeply rooted as to be very difficult to remove, development is difficult. Moreover, since the Maltese for an island [228] people are singularly non-maritime in character, and, in conditions no more difficult than in many other parts of the Mediterranean, have almost ignored the fishery industry (10), there exists no traditional basis for marine affairs. In these circumstances the value of the handing over of the Naval base to British civilian firms, and the policy of attracting foreign (mainly British) manufacturing concerns, thus making available both facilities and most of the capital, is on economic grounds indisputable.

439 457 One other aspect of port and trading activities must be examined, the nature and balance of imports and exports. The changing character of world trade in the first place has vitally affected the nature of Malta's entrepôt activity. By 1956, the value of re-exports had reached over two and a half million pounds, of which one and a half million represented mineral fuels and lubricants, mainly aviation spirit and turbine fuel (11). This is still the pattern today. Of Malta's transit trade in re-exports, by far the biggest proportion is concerned with supplying the Garrison in its new and more mobile form. The imbalance between retained imports and domestic exports remains essentially similar to that observed very much earlier and is best examined in conjunction with other economic elements.

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For brevity's sake it must suffice to say here that, apart from the obvious effects of World War II, the Maltese economy during the last 50 years has developed along more or less uniform general lines. Trade statistics began to be compiled properly in 1909-10. By 1918, visible exports paid for only 10 per cent. of all imports while by 1956 this proportion had dropped to 5 per cent. For our present purpose the most recent specifically economic Report utilising normally unpublished source material, that of Balogh and Seers (13), may be used as a basis for discussion. Statistics for the year 1953-54 contained therein and in the original source material are here re-assembled and re-arranged in the same combinations used in Chapter V A, i.e. Negotiable Income or External Economic Balance, Internal Revenue and National Product. By no means all the facts are available and some of the elements in the compilation are open to question, but this particular presentation has been adopted to bring out significant points of direct relevance to our work.

The first element, that of External Balance may be presented in tabular form thus:-

434 457

Table 31. External economic balance. 1954.

A. Negotiable Income - originating externally.		
(i) Services pay	£6.5	millions
(of which dockyard)	(3.6	")
(ii) Direct expenditure by Services	2.2	"
(iii) Estimated spending by non-Maltese Service personnel	6.0	"
	£14.7	"
(iv) Imperial Grants	3.0	"
	£17.7	"
B. Negotiable Income - originating internally.		
(i) Merchandise exports	£1.5	millions
(ii) Invisible exports	2.9	"
	£4.4	"
C. Negotiable Income - Grand Total	£22.1	millions
D. Expenditure on Imports.		
(i) Merchandise imports	£18.6	millions
(ii) Invisible imports	1.9	"
	£20.5	"

The most obvious characteristic of Malta's economy in its external relationship is its amazing dependence for Negotiable Income, i.e. convertible wealth available for paying for imports, on factors outside domestic control.

In detail various significant points emerge. While part of this income resulted from the provision of industrial and labour services - A (i) and (ii), about 40 per cent. came through retail and domestic services to the Garrison - A (iii). Statistically, this is an item impossible to measure precisely, and in so far as it is a residual item a further question arises, to wit, how far may it be an over-estimate concealing an unrecorded inflow of foreign wealth through hidden channels to the civil population. In Sierra Leone, periodic upsurges of

434 unrequited imports were indicative of illegal diamond smuggling. It may well be that, in Malta, a less spectacular movement of capital is similarly responsible for part of the residual items of foreign income. Even so, and considered in a later examination of Internal Revenue and National Product, the implications of a national reliance on this and other elements of income are manifestly significant.

439 If we turn to a consideration of the merchandise in trade, the instability of the situation becomes even more strikingly obvious. An analysis of trade of the Maltese Islands in 1953 (13), the year in which economic conditions for 1954 would be established, shows the following salient points. Britain and the Commonwealth supplied half of Malta's imports thus leaving some £10,000,000 of the remainder to be covered by British credit with other countries. Of the domestically originating exports of three-quarters of a million pounds, only £266,000 went to non-protected markets outside the Commonwealth. These and other details suggest that the Maltese Islands as a whole, not only the Garrison therein, represent a not inconsiderable drain on British reserves of foreign currency. This appears even more strongly from a consideration of the classes of imported merchandise. Imports of Food, Drink and Tobacco (F.D.T.), totalling £7,800,000 were of almost precisely the same value as imports of Manufactures. The Mediterranean Maltese islands naturally depend on imports for main supplies of dairy products. Almost all the £161,188 expended on butter went to the Commonwealth but nearly half of the value of cheese imports - £305,000 in all - came from Italy. Another £161,000 went on eggs, and £785,000 on processed milk. Alarmingly enough however even Mediterranean products were and still are imported in surprisingly large quantities. £130,000 on edible oils, and £353,000 on vegetables, one-third of the latter represented by tomato preparations, are such large sums as to need justification of local inability to produce these commodities. When one notes that, in a Class distinct from the F.D.T. group, a further £1,241,000 was expended on livestock fodder, then one begins to wonder whether agriculture is practised at all in the Islands. There seems no doubt that many of the fresh or processed food and fodder commodities now imported could properly be produced in Malta by better resource use. There remains one difficulty. It is probable that the Knights subsisted mainly on imported products of higher quality than those produced locally. Since 1800, and this is a sign of rising living standards, social emulation has been able to spread this effect through the greater part of the population. The trade figures for later years merely confirm what may be observed directly that most Maltese for one reason or another will deliberately choose foreign rather than domestic produce where possible. In 1956 this led to the consideration of quasi-sumptuary regulations; to us it is a factor in the social environment quite as important as many elements in the physical environment.

652 434 If we turn to a consideration of the Internal Revenue Account we see how deep-rooted and extensive are those characteristics of the economy already noted.

Thus of Government Revenue approximately one-third was derived directly from outside Malta (C) as a result of activities originating outside the control of the Maltese people. Of the remaining two-thirds (D), the largest part was *indirectly* also so obtained from activities dependent on expenditure by non-Maltese, in that it came from taxation of profits earned by mercantile services to the Garrison, taxation of wages, salaries and industrial profits earned by other services rendered to the Imperial power, and lastly from Customs levies on the goods paid for by external income. This revenue (D) was not in itself in any case large enough to cover ordinary expenditure (A) let alone supply capital for public investment.

434 471 Many other questions could be raised, e.g. is not the scale of Government expenditure on Administration rather large relative to total revenue?; but we must content ourselves with one last reflection. The paucity of material resources in the Islands is such that capital investment for raising production can only be applied to agriculture and to improving the productivity of labour in those industrial or commercial services called into being by the locational

1: Bowen-Jones et al. K-5 (1955-1958) 1961
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economic structure due to a British policy which in the past was almost entirely based on her own military needs constitutes an unanswerable case for adequate help to the Islands in their present effort' find alternative sources of employment'. From the factual point of view this last statement needs qualification, while in so far as it is representative in a mild way of an attitude which more violently would throw the whole onus of guaranteeing the future on to Britain it is dangerous. In the first place, as the various studies in this book indicate, Maltese economic dependence on the value placed on the Islands by non-Maltese communities, necessarily in the light of their own needs, is of great antiquity. The only way in which Britain could have refrained from increasing this dependence would have been by positively encouraging social and economic stagnation outside a small Garrison pale. This leads to the second point that the indigenous population rapidly seized opportunities to rise above the low level of life possible on local non-locational resources. The development of the present economy is as much due to natural indigenous economic desires as to outside pressure. Thirdly, as noted in the Introduction, recent confusion of attitudes towards political subordination and social welfare as well as to production, has produced a general realisation of the problem, without producing any clear solutions. Indeed the implications of the suggested solutions have been met with natural but rather irrational repugnance. Finally, we may observe that the use of phrases such as 'alternative sources of employment' when what is really meant is 'alternative sources of wealth', must always darken counsel. Once again the need for realistic appraisal of natural resources becomes manifest.

The most up-to-date picture of the Islands' general economy may be derived from the 1958 Departmental reports published late in 1959 and 1960. In December 1958 the total population numbered almost 324,000, that of Malta having increased by 5 per cent. since 1948 in spite of emigration while that of Gozo declined by 0.4 per cent. as a result of emigration. The internal shifts of population that occurred during and after World War II have virtually ceased. The gainfully occupied population totalled 88,710, and less than 5 per cent. of the total male population aged 14-64 were not productively occupied. 25.4 per cent. of male workers were Government employees and paid out of Government revenue. 33.5 per cent. of the employed population worked in or for the Service Departments, deriving their income directly or indirectly from the Imperial Government. Thus, only 42 per cent. of the working population is employed in normal civilian activity and, as already noted, most of this activity is generated by indirect Imperial expenditure. In 1958 the gross national product had increased to £42.4 millions but the visible trade deficit also rose to £25.2 millions.

To conclude this section we turn by way of illustration from the general to the particular, to a brief consideration of two of the facets of Maltese life investigated by our team of research workers.

Her Majesty's Dockyard in Malta, for so long the crux of British interest in the Islands, has recently been transferred to civilian interests amidst a welter of differing reactions. Thanks to the co-operation of the Admiral Superintendent and his staff in March 1957 we have been able to analyse the main characteristics of the Dockyard, and present here a few of the relevant findings. At that time, 12,572 Maltese workers were directly employed in the Dockyard, almost exactly the same number as the total of farmholders, or the total engaged in 'industrial' occupations, i.e. mining, quarrying, manufacturing and construction. In the Dockyard there were four departments, those of the Captain, Construction, Engineering, and Electrical Engineering, which were regarded as 'professional departments'. These employed 59 per cent. of the total Dockyard employees, most of this proportion in skilled trades. In the remaining 11 departments, a considerable number of technicians and craftsmen were also employed as well as upper-grade administrative and financial personnel. The Dockyard thus contained the largest pool of skilled labour in the Islands and provided the most important training ground, because, of the roughly equal numbers in civil 'industrial' employment, a very much larger proportion was unskilled, particularly in the building industry (18).